



# RESERVES AND CONTINGENCIES

## PURPOSE OF SECTION

This section is intended to introduce and explain the concepts and applications of the County's reserves and contingencies.

## TYPES OF RESERVES & CONTINGENCIES

For every conceived risk or possible event, a reserve or contingency could be established. To help manage *foreseeable* risk, the County has established the following Reserves and Contingencies for the 2015/2016 budget year:

### Set-asides:

- Department Operational
- Personnel Related

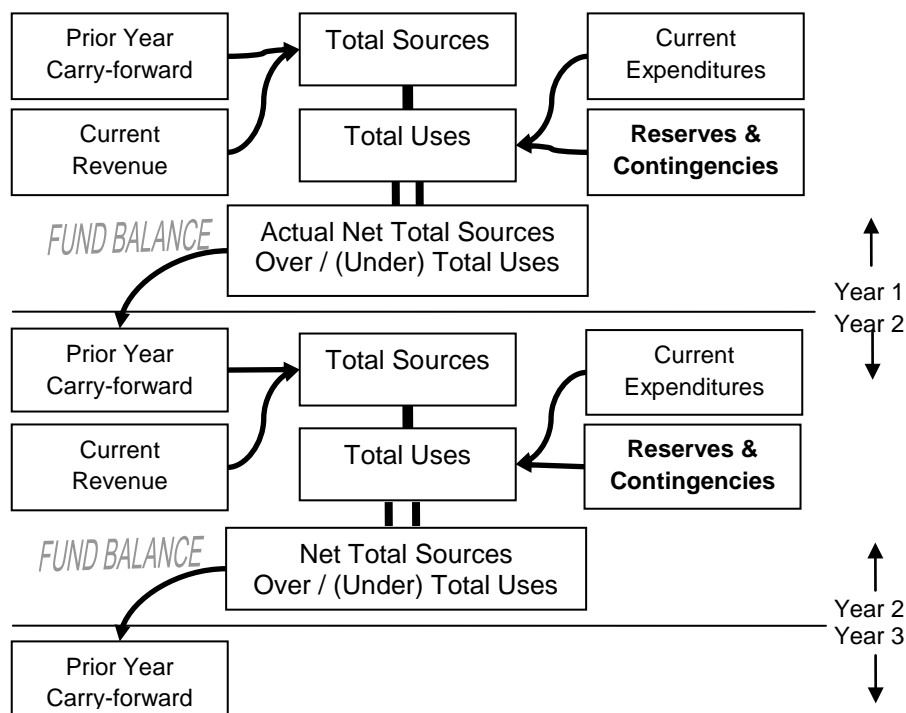
### Reserves:

- Cash Flows
- Anticipated Reversions
- Emergency Reserves (Rainy day fund)
- Contingency (Board of Supervisors)

Only the Board of Supervisors has authority to authorize the use of reserve accounts. Upon the Board's approval for use of one of these accounts, budget authority is transferred to the appropriate department, function or program. No expenditures are directly recorded to these accounts only budget authority is reallocated as per Board action.

## FLOW OF FUND BALANCE & RESERVES

The flow chart below illustrates how prior year's fund balance flows into the subsequent year. The general rule is to use the prior year's balance to first meet the current year's reserves requirement and then, if used for expenditures, on one-time expenditures by nature.





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## CONTINGENCIES & SET-ASIDES

### Department operational:

This set-aside is detailed in the Non-Department pages of the *Departments & Budget* section. These set-asides are for a specific designation of budget authority for a particular purpose that is set-aside and encumbered until such time the anticipated expenditure materializes to the degree that necessitates a budget transfer to harmonize continuity of fluent operations. Any unused portions of this set-aside rolls to fund balance at fiscal year end and is available for appropriation the following fiscal year.

### Contingency:

This contingency was established using current revenues and may be used for unforeseen purposes (continuing or one-time) that, if not funded, would result in detrimental or undesirable outcomes to the organization.

### Personnel related:

This set-aside is established to assist departments with unexpected or unavoidable additional personnel related expenditures that cannot be absorbed within their adopted budget. Difficult to fill position are often budgeted at minimum. As such, when an opportunity to fill such a vacancy arises, additional funds may be needed to retain qualified candidates if current departmental savings are not available. Also, this set-aside allows assisting with under-filled position, when departmental funds are not available and an On-call duty pay amount.

Set-Asides / Contingencies by Category (in Thousands)			
Reserve for:	Prior Year Adopted	Current year	
		Amount	% Change (reduction)
Operational	\$1,049	\$1,170	11.53%
Contingency	251	300	19.52%
Personnel related	168	65	-61.31%
<b>Total</b>	<b>\$1,468</b>	<b>\$1,535</b>	<b>4.56%</b>



# RESERVES AND CONTINGENCIES

## RESERVES

Establishing and maintaining reserves this fiscal year with primarily prior years fund balances will not only build the foundation for fiscal stability, but will also help avoid the use of subsequent year's current revenues to build them back up to necessary levels.

### Reserve—For Cash Flow:

This reserve represents the minimum cash balance necessary to continue the County's operations without the need to short-term borrow.

### Emergency Reserve—Rainy Day Fund:

Though it doesn't rain too often or too much in Yuma County, maintaining a rainy day fund is vital to its financial health in future years. It provides for revenue shortfalls to allow for softer landings if the shortfalls do not correct the next fiscal year. The possibility of natural disasters, public safety emergencies, up-front economic opportunities, or slumping economic conditions necessitates the need for adequate reserve funds in the current fiscal year and the ability to carry onto the next fiscal year.

### Reserve—For Reversion (Vacancy Factor):

The County budgets for all vacant positions at the minimum range with full benefits. The County does not directly reduce a department's budget based on historical vacancy factors. This reserve acknowledges that the County does have a level of vacancies carried during the year that will revert to fund balance at fiscal year end. This amount is calculated for the fund taken as a whole.

### Recommended Practice:

A strong cash and fund balance can be quantified, but it should also be qualified. Recommended practices set the percentage of an entity's budgets dedicated to reserves as ranging from no less than 5% to 15%. A good cash and fund balance should identify by what requirements will arise in the following fiscal year. Generally applying the 5% to 15% range to the subsequent year's needs rather than only the current year's budget is considered good standing.

Reserves by Category (in Thousands)			
Reserve for:	Current Amount	Percentage of Budgeted Uses:	
		Current Year	Prior Year Adopted
Cash Flows	\$ 6,642	8.67%	8.84%
Emergency	495	0.65%	1.27%
Reversion (Vacancy factor)	1,494	1.95%	1.59%
<b>Total</b>	<b>\$ 8,631</b>	<b>11.27%</b>	<b>11.70%</b>

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